

**CITY OF WHITTIER, ALASKA
RESOLUTION # 039 -2021**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHITTIER,
ALASKA, ADOPTING UPDATED BUDGET POLICIES TO GUIDE THE
CITY TOWARD IMPROVED FINANCIAL STABILITY**

WHEREAS, the City Council is responsible for establishing policy for the City of Whittier and desires to approve policies aimed at strengthening the financial health of the City; and

WHEREAS, the Whittier City Council passed Budget Policies via Resolution #31-2020 on December 15, 2020; and

WHEREAS, budget policies should be amended as necessary to provide a path to guide budgetary decision-making in order to assist the City in achieving its current and future goals in a fiscally responsible and sustainable manner; and

WHEREAS these policies will help to manage financial pressures to address growing demands on City resources, while preserving long-term financial stability; and

WHEREAS, these policies should be reviewed and updated annually during the budget preparation process, to ensure that they continue to guide the City's long-term decision-making.

NOW, THEREFORE, BE IT RESOLVED by the City Council of Whittier, Alaska that the budget policies for the City of Whittier attached hereto as Exhibit A are hereby adopted and that the City Manager is instructed to pursue these policies in order to continue to strengthen the City's financial performance and long-term sustainability.

PASSED AND APPROVED by a duly constituted quorum of the Whittier City Council this 16th day of November 2021.

THE CITY OF WHITTIER, ALASKA



Dave Dickason, Mayor

AYES: Shen, Wagner, Blair, McCord, Denmark, Pinquouch, Dickason

NAYS:

ABSENT:

ABSTAIN:

ATTEST:



Jackie C. Wilde

Assistant City Manager/Acting City Clerk

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Exhibit A

CITY OF WHITTIER, ALASKA

2022 BUDGET POLICIES – Passed via Resolution #31-2020; 2021 proposed revisions

1. General Fund – Fund Balance Policy

The City should maintain a level of unassigned fund balance equal to at least 9-12 months' of expenditures and transfers-out¹. A sufficient level of reserves is considered that which can cover unanticipated revenue shortfalls, unforeseen needs and emergencies, contribute to replacing existing infrastructure, and cover the potential shortfall of all other City funds.

- A. When the level of Unassigned Fund Balance is not within the desired range, a plan should be developed to bring fund balance to within the desired range within three years.
- B. When the level of Unassigned Fund Balance is below the desired range, withdrawals from Unassigned Fund Balance should be limited to emergency purposes.

Fund Balance Considerations: The predictability of revenues (i.e. sales tax, PTBT, property tax); Vulnerability to single-source economic drivers (tourism, seafood industry); Volatility of expenditures; Exposure to one-time outlays (natural disasters, immediate capital outlays, state budget cuts); Drain on General Fund reserves from shortfalls in other Funds; Availability of resources in other Funds

2. One-Time Revenue Policy

One-time revenues (such as grant administration fees, sales of fixed assets, legal settlements, etc.) should *not* be utilized to fund ongoing expenditures but should be used to fund capital repairs and replacement. The use of one-time revenues to fund annual budgets promotes structural budget deficits in future years. To the extent that the General Fund Unassigned Fund Balance has reached 9 months of expenditures and transfers-out, *one-time revenues* will be allocated annually to a Capital Replacement Fund.

3. Revenue Stabilization Account Policy

The City may create a revenue stabilization account to maintain financial resources to protect against the need to reduce service levels or raise taxes or fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The balance in this account could, for example, be equal to ten percent of the General Fund's annual revenues². This level of reserve is based on the City's increasing dependence on the visitor and seafood industries for the generation of sales tax, PTBT, fish taxes, CPV funds, camping fees, etc.

4. Accrued Annual Leave Funding Policy

The City should consider establishing an internal service fund for the purpose of accumulating cash to pay for accrued but unused portion of annual leave for General Fund employees. This account would be designated solely for the payment of accumulated leave.

5. Capital Replacement Fund Policy

¹ In 2020 the Policy requires Unassigned Fund Balance equal to between \$1,498,973 and \$2,248,460

² Currently \$270K. The City will develop a plan aimed at reaching this goal by 2023.

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The City should consider designating 50% of the prior year's annual surplus³ into a Capital Replacement Fund for the purpose of financing major capital maintenance and repairs (defined as items exceeding \$20,000) in any year where the General Fund Unassigned Fund Balance is within the band of established policy levels⁴. Expenditures from this Fund require specific appropriation from the City Council before being spent.

6. Sales of General Fixed Assets

Revenue from the sales of general fixed assets should be added to the Capital Replacement Fund.

7. Recurring Fund Source for Capital

The City should seek recurring funding sources to fund capital needs so that capital spending is not given last priority in competing for limited financial resources.⁵

8. Motor Pool Appropriation Control

Motor Pool reserves should be preserved for the sole intended purpose of replacing City heavy equipment and vehicles, based on the established goals of minimizing fluctuations to annual operating budgets and exercising fiscal prudence in saving for replacement of the City's fleet.

- A. Loans issued from the Motor Pool to the other City Funds (if any) will be repaid with interest to the Motor Pool to safeguard the viability of the long-range vehicle and heavy equipment replacement plan.
- B. The City will establish a Fleet Replacement Plan to be approved by the City Council. The Plan will allow for the routine and timely replacement of City vehicles and equipment at certain mileage or hour intervals per unit type, with the primary goals of maximizing safety, minimizing repair costs and achieving reasonable trade-in value.

9. Enterprise Fund Rate Reviews

Utility and Harbor rates should be reviewed annually to determine if they are adequate to cover annual operating and capital costs, plus the annual cost of depreciation. Tariffs should be adjusted to rise based on CPI annually, to reduce rate shock. Recommendations for annual rate adjustments beyond CPI should be made annually to the City Council.

10. Enterprise Fund Depreciation (MRRF) Funds

The City should establish a major repair and replacement fund (MRRF) for each of its major enterprise funds (Boat Harbor, Water and Wastewater, Delong Dock).

11. Depreciation Funding Policy

The policy of the City shall be to work toward funding a minimum of 100% of the annual rate of depreciation, recognizing that failure to establish adequate reserves for the replacement of plant and equipment shifts the financial burden of such major repairs and replacement, to future generations, creating an imbalance of inter-generational equity.

"Funding depreciation" is defined as either placing equivalent cash into the MRRF Fund or spending on

³ Defined as the difference between revenues plus transfers-in versus expenditures plus transfers-out.

⁴ Limit on Allocation of Surplus: The allocation of surplus funds from the General Fund to the Capital Replacement Fund should occur only when the General Fund Unassigned Fund Balance exceeds 6 months' reserves and should not draw the unassigned fund balance below 6 months' reserves.

⁵ The City has not yet identified a source of funds to fund capital needs. The City could, for example, decide to allocate future State Revenue Sharing for capital purposes in the future.

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capital repairs valued greater than \$20,000 such that the total amount invested in major maintenance and repair is at least 100% of the annual depreciation. Investments in new infrastructure are not considered investments in capital for the purposes of depreciation funding since they do not replace existing infrastructure.

Exception: Where Council determines that a specific enterprise fund asset will not be replaced at ratepayer or taxpayer cost, but will only be replaced through grants, or not be replaced at all, it may be prudent not to fund depreciation on that item.

12. Tax Cap Policy

Periodically review the City's tax cap on sales of items exceeding the cap to ensure that the cap does not erode the City's funding availability over time.

13. Cash Flow Projections Policy

When presenting the budget to the City Council for each Fund, the budget should include current cash flow data as well as the expected impact on Cash as a result of the proposed budget. Cash flow data should be current and should include the impact of any appropriations made in the year prior to the proposed Budget, so Council and the public are fully aware of the impact on cash of budget projections for each Fund.

14. Pay Schedule Policy

The proposed budget document should include the proposed Pay Plan Schedule listing the pay ranges for each position, plus indicate whether the proposed budget includes a cost-of-living adjustment.